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<H.cover>Purchasing Procedures Manual

<t.cover>As the system of local government evolves in Romania, municipal officials face new responsibilities and challenges. This monograph is intended to help mayors and other local officials set up effective systems for purchasing goods and services. Drawing from the consultant's expertise in finance and budgeting practices and the project now underway in Oradea, the manual provides practical suggestions that can be implemented throughout Romania. The manual was prepared by the International City/County Management Association (ICMA) with the assistance of the Romanian Federation of Municipalities. Funding for this monograph was provided by the United States Agency for International Development (USAID).

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Founded in 1914, the International City/County Management Association (ICMA) is a non-profit professional association committed to enhancing the quality and performance of local government administration throughout the U.S. and internationally. ICMA has over 8,000 members world-wide, including top appointed administrators, elected officials, members of the academic community, and other professionals who share the goal of improving local government.

The mission of ICMA's International Municipal Programs is to support and strengthen local government institutions in developing countries and emerging democracies. With the financial support of the U.S. Agency for International Development's Office of Environment and Urban Programs, ICMA is engaged in a wide range of technical assistance activities in Central and Eastern Europe, the New Independent States (NIS), Latin America, Asia, and Africa. ICMA provides an array of services, training programs, and authoritative publications on virtually every aspect of municipal government, management, and finance.

In 1993, the United States Agency for International Development (USAID) asked ICMA to carry out a Local Government Assistance Program in Romania. The goal of the Program is to encourage and support efforts to devolve responsibility, authority, and management of resources to local governments in Romania.

ICMA, working in close association with the Federation of Municipalities of Romania, has developed a program of technical assistance and training with the cities of Brasov, Constanta, Craiova, Oradea, and Pietra Neamt.

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<h.page1>Purchasing Procedures Manual

<t1.intro>In Constanta and Oradea, ICMA's assistance has focused on improving finance and budgeting procedures and systems. This purchasing manual is based on the work carried out in those two cities by ICMA Consultant Philip Rosenberg. This report was funded by USAID under the Local Government and Housing Privatization Project for Central and Eastern Europe (Contract No. EUR-0034-C-00-2034-00, Request for Services #99). The consultant and ICMA are grateful to Mayor Corneliu Neagoe of Constanta and Mayor Petru Filip of Oradea for their interest in and support for this work.

<ha>Introduction

Purchasing includes determining the need for an item or service; planning and scheduling purchases; preparing, soliciting, receiving, opening, and evaluating bids; and awarding a purchase contract. This manual covers five subjects: the purchasing process, the purchase requisition, methods of source selection, purchase orders and contracts, and contract management. It outlines policies, procedures, and guidelines for establishing an effective purchasing system.

<ha>The Purchasing Process: An Overview

<t1>Romanian cities purchase a diverse array of commodities and services and undertake major construction projects. In making these purchases, cities need to follow procedures and policies that conform to existing laws and regulations and that are fair and competitive. This section presents the overall guidelines and responsibilities of purchasing and materials management function. Topics discussed in this section include:

<tb1>Purchasing Functions and Responsibilities

<tb>Purchasing Programs and Activities

<tb>Purchasing Methodology

<tb2>Purchasing Cycle.

<hb>Purchasing Functions and Responsibilities

<lch>Function

<l2>Chief Accountant

<l2>Mayor/Vice Mayor

<l2>Purchasing

<l2>Using Department

<lch>Responsibility

<l2>Determines availability of funds to purchase goods and services. Receives and processes vendor invoices.

<l2>Responsible for approving purchases greater than XXX lei. Signs all Purchase Orders (POs) and amendments.

<l2>Responsible for acquiring all commodities/services in accordance with City policies and procedures. Establishes and maintains programs for specification development, contract administration, and inspection and acceptance in cooperation with using departments. Checks departmental purchasing requests for accuracy, completeness, and availability of items from surplus. Obtains bids on all commodities/services. Issues POs and amendments.

<l2>The director of the using department is responsible for: (1) determining the quality and quantity of commodities or services needed and the delivery date required; (2) ensuring there are sufficient funds budgeted to pay for the acquisition; (3) anticipate and requisition commodities or services needed, giving accurate descriptions of articles required in sufficient time to purchase them on a competitive basis; (4) receive and inspect items delivered by vendors and reject shipments that fail to meet specifications.

<hb>Purchasing Programs and Activities

<t1>The programs and activities of the purchasing and materials management function include acquisition, quality assurance, and property and supply management. They also encompass contract administration, monitoring vendor performance, reviewing commodity usage to determine which items should be stored in inventory, and disposal of surplus.

<hc>Acquisition Program

<t1>The acquisition program includes planning and scheduling purchases; preparing invitations for bids and soliciting bids; receiving, opening, and evaluating bids; making recommendations for awards; issuing POs; monitoring delivery; and administering contracts.

<hc>Quality Assurance Program

<t1>The quality assurance program embodies the activities of specification writing, receiving, and inspection. The program also includes monitoring vendor performance to ensure compliance with specifications, timely and complete delivery, prevention of unauthorized substitutions, and other failure in vendor performance.

<hc>Property and Supply Management Program

<t1>Two primary activities are associated with the property and supply management program: inventory management and the disposition of surplus property. Inventory management includes analyzing and forecasting material usage, ordering material, and running the stockroom operations of receiving, stocking, issuing, and physical control. The disposition of surplus property includes the transfer of excess property from one department to another and the disposal of surplus property through public auction, sealed bids, or direct negotiation.

<hb>Purchasing Methodology

<t1>Cities should employ the standard purchasing methods described below.

<hc>Purchasing Options

<tb1>**Small Purchases Under XXX lei -** if the estimated cost of an item is less than XXX lei, obtain verbal quotes, followed up by written confirmation, from at least three vendors.

<tb>**Small Purchases Over XXX lei -** written quotes must be obtained from at least three vendors.

<tb>**Purchases of XXX lei or more -** solicit competitive sealed bids or proposals and competitive sealed bidding.

<tb>**Sole Source -** use when there is only one known source of supply for the required commodity or service or when competitive bidding is either not feasible or advantageous to the City.

<tb2>**Emergency -** use where a threat to public health, welfare, or safety exists.

<hc>Award

<t1>Awards shall be made to the lowest responsible and responsive bidder whose quotation, bid or proposal meets the specifications, requirements, or criteria set forth by the City. A multiple award may be made when two or more bidders or offerors for similar commodities are necessary for adequate delivery, service, or product compatibility.

<hc>Specifications

<t1>Specifications should be written in a manner to allow competition. Specifications should emphasize functional or performance criteria. Available standard commercial products should be used, and unique requirements should be avoided when practicable.

<hb>Purchasing Cycle

<t1>The purchasing cycle begins with the development of a requisition and ends with the payment of the bill. The following activities make up the purchasing cycle.

<hc>Determine Need

<t1>The using department determines the need for commodities and services at all times and ensures the proposed purchase complies with the City budget.

<hc>Prepare and Submit the Purchase Requisition

<t1>The using department prepares a Purchase Requisition and forwards it to Purchasing.

<hc>Review Requisition

<t1>Purchasing enters the Purchase Requisition into a control log. It is checked for accuracy, completeness, funding, and availability of items from surplus.

<hc>Determine Purchasing Method

<t1>Purchasing then determines which method of source selection is appropriate.

<hc>Solicit Quotes, Bids, or Proposals

<t1>Purchasing solicits quotes, bids, and proposals as follows:

<tb1>**Quotes (under XXX lei) -** Purchasing obtains a minimum of three verbal quotations to be confirmed in writing.

<tb>**Quotes (over XXX lei) -** Purchasing obtains three written quotations on the City Request for Quotation form.

<tb>**Bids/Proposals (XXX lei or more) -** Purchasing advertises in a newspaper of local circulation and other publications as appropriate.

<hc>Receive and Evaluate Quotes, Bids, or Proposals

<t1>Bids are delivered to Purchasing, as advertised, and are secured until the bid opening in a locked box (e.g., bid security box). Bids are considered RECEIVED upon the bid opening at the advertised time. Bids are then evaluated by Purchasing, Chief Accountant, and the using department.

<hc>Award Bid and Prepare the PO and/or Contract

<t1>The using department gives a recommendation for award to the Mayor/Vice Mayor. If the Mayor/Vice Mayor approves the recommendation, the City and vendor enter into a PO or contract.

<hc>Monitor Receipt of Commodities or Services

<t1>Upon receipt of the commodities or services, the using department inspects the items to determine if: (1) the order is in acceptable condition; (2) the order is complete; and (3) specifications are met.

<hc>Process Receipt of Documents

<t1>When the vendor ships the ordered commodities or renders the required services, the vendor submits an invoice directly to the Chief Accountant.

<t>The following sections present the policies and procedures related to the purchasing cycle.

<ha>The Purchase Requisition

<t1>The purchasing cycle begins with the using department preparing a two-part Purchase Requisition. One copy is forwarded to Purchasing for processing and one copy is retained by the department.

<t>This section presents city policy and procedures for processing Purchase Requisitions.

<tb1>The using department determines the need for commodities and services at all times and ensures the proposed purchase complies with the City budget.

<tb>Purchasing has the responsibility and authority to review Purchase Requisitions, specifications, and suggested sources.

<tb2>Purchasing is responsible for checking with the Chief Accountant regarding availability of funding for the requested procurement. In the event funding is not available, Purchasing returns the requisition to the using department.

<t>Perform the following tasks when processing a Purchase Requisition for commodities or services.

<tn1>**Task 1.** The using department completes the two-part pre-numbered Purchase Requisition.

<tn>**Task 2.** The using department submits the white copy of the requisition form to Purchasing.

<tn>**Task 3.** Purchasing receives the Purchase Requisition and stamps it with the date and time received.

<tn>**Task 4.** Purchasing enters the requisition in the Purchase Requisition/Order log.

<tn>**Task 5.** Purchasing reviews the Purchase Requisition form for accuracy and completeness including:

<tb1>Consistency with City's purchasing requirements

<tb>Evidence of justification attached when necessary

<tb>Accuracy of all computations

<tb2>Signature of the department head.

<tn>**Task 6.** Purchasing checks with the Chief Accountant to determine the availability of funds.

<tn2>**Task 7.** Purchasing makes decision based on availability of funds. If there are insufficient funds, Purchasing returns the requisition to the using department. If there are sufficient funds, Purchasing processes the acceptable requisition.

<ha>Methods of Source Selection

<t1>The following methods of vendor selection should be employed: Competitive Sealed Bidding/Proposals; Small Purchases; Sole Source/Non-Competitive Negotiations; and Emergency Purchases.

<t>Purchasing maintains a uniform set of forms to serve the bid process. Purchasing establishes mechanisms for invitations for bids, instructions to bidders, bid analysis, and notices of award.

<t>After all bids have been received and examined for completeness, Purchasing prepares a bid tabulation, noting all the pertinent data and exceptions. The using department will prepare a recommendation for award only after all aspects have been considered.

<t>This section presents guidelines for preparing bids and specifications as well as source selection policies and procedures.

<hb>Guidelines for Preparing Bids

<t1>This checklist (see sidebar) is intended to provide basic guidance in preparing invitations for bids.

<sha>Guidelines for Preparing Bids

<shc>Specifications (see below)

<st1>Be complete--use descriptions common to the trade.

<st1>Use commercial standards whenever possible.

<shc>Delivery

<st1>Specify each desired delivery point. Be precise.

<shc>Rejection

<st1>Identify procedures for rejection of non-conforming commodities.

<st1>Specify that the cost to return will be at the vendor's expense.

<shc>Identification

<st1>Instruct vendor to include the PO number on all invoices, packing lists, shipping material, instructions, etc.

<shc>Warranties

<st1>Ask the vendor to provide expressed warranties.

<st1>Include other warranties normal to the specific trade or industry.

<shc>Termination

<st1>Provide for termination of the contract in the event of breach by the vendor or non-appropriation of funds.

<shc>Quality Standards

<st1>Identify the standards of quality and what they represent.

<st1>Be precise.

<st1>Leave no loopholes.

<shc>Term of Contract

<st1>Define the contract term.

<shc>Samples

<st1>If samples are required, ask the vendor to provide them at no expense. Indicate that samples will be returned or purchased after evaluation.

<shc>Packing

<st1>Ensure that all packing, special handling, wrapping, containers, etc. are included in the offer and evaluation.

<shc>Payments

<st1>Stipulate that all payments will be made by mail.

<st1>Agree to make payment in 30 days.

<shc>Shipping

<st1>Ensure that shipping costs are included in the price; if not, shipping costs should be prepaid.

<shc>Pricing

<st1>Use the "firm fixed price" type of contract.

<st1>Identify the base price.

<st1>Establish a method to request adjustment by vendor.

<st1>Establish the period to evaluate the goods or services received.

<st1>Establish a method to effect adjustment: effective date and notification to other.

<st1>Stay away from "cost plus pricing" and "price at time of delivery" contract types.

<st1>Ensure price reductions are based on meeting completion dates and/or reduced costs.

<shc>Evaluation

<st1>Define evaluation criteria prior to issuing the invitation for bids, request for proposals, or request for quotations.

<st1>Ensure vendors know what will and will not be in the provisions of the agreement.

<st1>Do what you say you will.

<st1>Be fair to *all*.

<shc>Related Items

<st1>Obtain a specific price for each item included in the bid.

<st1>Ask the vendor to provide either a catalogue or price list with an appropriate discount schedule for other related items.

<shc>Agreement Form

<st1>Establish a standard form for agreement terms and conditions.

<st1>If the vendor insists on using a proprietary form, review it thoroughly.

<shc>Catalogues/Price Lists

<st1>Include a requirement for the vendor to provide necessary technical information, catalogues, and other price lists to all members of the City procurement process.

<hb>Guidelines for Preparing Specifications

<t1>Specifications serve as a basis for obtaining a supply or service adequate and suitable for the City's needs. City policy regarding specifications is as follows:

<tb1>**Facilitate Competition**: Specifications permit maximum practicable competition. Draft specifications with the objective of clearly describing the City's requirements.

<tb>**Functional or Performance Description**: In developing specifications, emphasize functional or performance criteria while limiting design or other physical descriptions to those necessary to meet the needs of the City.

<tb>**Commercially Available Products**: Purchase standard commercial products whenever practicable.

<tb>**Commercial Standards**: In developing specifications, use accepted commercial standards and avoid unique requirements to the extent practicable.

<tb2>**Existing Specifications**: Use established specifications for a particular supply or service, unless it is determined that it is in the City's best interest to use other specifications.

<t>Specifications should be written. To ensure quality, they should also be:

<tb1>Simple, clear, and exact so that suppliers cannot evade any provisions.

<tb>Capable of being checked, including a description of the inspection methods to be used where applicable.

<tb>Reasonable in tolerance.

<tb>Capable of being met by several bidders.

<tb2>Flexible, to encourage vendors to suggest cost-saving alternatives or substitutes.

<hb>Procedures for Competitive Sealed Bidding/Proposals for Professional Services

<t1>City policy regarding competitive sealed bids/proposals is as follows:

<tb1>**Sealed Bid -** All City contracts shall be awarded by competitive sealed bidding for commodity purchases and all other requirements where specifications are complete and the purchases are estimated to cost in excess of XXX lei. An invitation for bids shall be issued.

<tb>**Proposals for Professional Services -** As a general rule, requests for proposals (RFPs) are used for the acquisition of professional services (e.g., architectural, engineering, audit, legal, etc.) when the proposer's experience, reputation, capabilities, methodology, etc., are of greater importance than the proposer's price.

<tb>**Public Notice -** Adequate public notice of the invitation for bids/proposals shall be given prior to the bid opening date set forth in the bid document. A minimum of ten (10) calendar days constitutes adequate notice. The notice shall be published in a newspaper of general circulation. The notice should state the date and time of the bid closing and opening.

<tb>**Bid Opening -** Bids shall be opened publicly.

<tb>**Acceptance -** Bids shall be unconditionally accepted without alteration or correction, except as authorized by the bid policy.

<tb>**Evaluation -** Bids shall be evaluated based on the requirements set forth in the bid document.

<tb2>**Awards -** The contract shall be awarded to the lowest responsible and responsive bidder whose bid meets the specifications, requirements and criteria set forth in the bid document.

<t>Purchasing shall perform the following tasks when using the competitive sealed bid/proposal method.

<tn1>**Task 1.** Schedule key events and dates for the bid/proposal review and issuance, public notice, the pre-bid conference, the bid/proposal opening, evaluation, Mayor/Vice Mayor approval, and the preparation of the PO and/or contract.

<tn>**Task 2.** Assemble the specifications as provided by the using department, the bid/proposal documents, and the bidders' mailing list.

<tn>**Task 3.** Forward the bid package to the using department for approval.

<tn>**Task 4.** Upon using department approval, advertise the bid/proposal, as appropriate.

<tn>**Task 5.** Issue the bid/proposal package to all interested vendors.

<tn>**Task 6.** Receive all bids/proposals at City Hall. Time-stamp them, record them on the register of bids, and deposit them in the bid security box.

<tn>**Task 7.** Open the bids publicly at the time, date, and place designated in the invitation for bids/proposals. Record the name of each bidder, the bid/proposal price, and other such information deemed appropriate.

<tn>**Task 8.** Tabulate and evaluate the bids to determine the lowest responsible bid meeting the specifications. Send recommendation for award to the using department for review.

<tn>**Task 9.** The using department prepares a written recommendation for award to the Mayor/Vice Mayor. If the using department determines that the contract should be awarded to another vendor other than the apparent low bidder, the department must prepare a justification for such determination.

<tn>**Task 10.** Upon approval by the Mayor/Vice Mayor, issue a notice of award to the vendor.

<tn2>**Task 11.** Upon receipt of these documents, prepare the PO and contract, have the Mayor/Vice Mayor sign them, and issue them.

<hb>Procedures for Small Purchases

<t1>For purchases of commodities and services less than XXX lei and not covered by a contractual agreement, the City's small purchases policies and procedures shall apply. The policies are as follow:

<tb1>**Less than XXX lei -** Obtain verbal quotations for purchases of standard or non-complex commodities with an estimated price of XXX lei or less. Record prices on a telephone quotations form that will serve as documentation. Bidders must provide written confirmation of their verbal quote.

<tb2>**More than XXX lei -** Request written quotations. The request should include: description of the item, quantity, delivery requirements, special conditions, drawings, specifications, date the information is required, etc.

<t>Perform the following tasks when using the small purchase method.

<hc>Procedures for Purchases Less Than XXX Lei

<tn1>**Task 1.** Solicit quotations on the item(s) and quantity described on the requisition and record the quotation on the appropriate form. Vendors must confirm their quotation in writing.

<tn>**Task 2.** When all written quotes are received, select the lowest and best quotation and place the order over the telephone.

<tn2>**Task 3.** Prepare a PO, signed by Purchasing, the Chief Accountant, and the Mayor/Vice Mayor, and issue it to confirm the order.

<hc>Procedures for Purchases More Than XXX Lei

<tn1>**Task 1.** Prepare a request for quotations and forward it to vendors.

<tn>**Task 2.** After all quotations are received, select the lowest and best quotation and prepare a PO.

<tn2>**Task 3.** Issue the PO after it is signed by Purchasing, the Chief Accountant, and the Mayor/Vice Mayor.

<hb>Procedures for Sole Source/Non-competitive Negotiations

<t1>Non-competitive negotiations may be used as a procurement method for purchases of commodities or services available from only one source, or when it is determined that competitive bidding is not feasible or advantageous.

<t>City policy is that Purchasing may negotiate with a sole source supplier under the following circumstances:

<tb1>The needed supply or service is available from only one source.

<tb>Additional commodities or services are needed to complete an ongoing task.

<tb>The item is a component or replacement part for which there is no commercially available substitute and which can be purchased only from the manufacturer or distributor.

<tb2>Compatibility is the overriding consideration.

<t>This policy applies to all purchases regardless of the amount.

<t>Perform the following tasks when using the sole source/non-competitive negotiation method.

<tn1>**Task 1.** The using department attaches a statement to the Purchase Requisition explaining the reason for using a sole source.

<tn>**Task 2.** Purchasing determines the validity of the sole source statement and, if acceptable, conducts negotiations as to price, delivery, terms, and conditions with the sole source vendor.

<tn2>**Task 3.** Purchasing, in cooperation with the using department, prepares and submits a recommendation for award to the Chief Accountant and Mayor/Vice Mayor and issues a PO.

<hb>Procedures for Emergency Purchases

<t1>Emergency purchase policies and procedures apply when a threat to public health, welfare, or safety, such as may arise from fire, equipment failure, or other disruption of essential services or civic functions taking place outside of normal business hours, as declared by the Mayor/Vice Mayor.

<t>City policy regarding emergency purchases is as follows:

<tb1>Emergency procurement shall be limited to those commodities or services necessary to meet the emergency.

<tb>The director of a using department may make an emergency purchase up to XXX lei when an emergency condition arises.

<tb>Prior to the procurement, emergency purchases over XXX lei must be approved by the Mayor/Vice Mayor.

<tb2>Purchasing must submit written documentation of the procurement action taken for emergency purchases over XXX lei to the Mayor/Vice Mayor.

<t>Perform the following tasks for emergency purchases.

<tn1>**Task 1.** The using department contacts Purchasing when an emergency condition exists and provides the following information: type of emergency, the nature and type of the item(s) to be purchased, and the vendor from whom they will be obtained. If the emergency occurs outside working hours, the using department may proceed with the procurement and inform Purchasing on the next working day.

<tn>**Task 2.** Purchasing will purchase the supply or service or delegate this responsibility to the using department.

<tn2>**Task 3.** Immediately following the procurement, the using department shall prepare a Purchase Requisition and obtain necessary approvals.

<ha>Purchase Orders and Contracts

<t1>The purchase order (PO) is a document used to authorize the delivery of commodities and services in accordance with specific terms and conditions. It also acknowledges the obligation that payment will be made upon receipt of the required supply or service.

<t>The PO describes the specific items to be delivered, price, quantity, and delivery requirements, as well as terms and conditions. The PO serves as a contract between the City and the vendor. It is distributed to the vendor, Chief Accountant, the using department, and Purchasing. The form gives instructions to the vendor regarding invoicing the City as well as the City's terms and conditions. When a PO is written as an acceptance of a quote, bid, or proposal, a contractual relationship is established upon its issuance.

<t>A PO is prepared after the vendor and price of the commodity/service are approved. The information used to complete the PO is assembled at the Purchase Requisition stage of the purchasing cycle.

<t>This section presents PO policies and procedures.

<hb>Guidelines for Contracts

<t1>To the extent possible, obtain commodities and services by using a standard PO form. In addition to the PO, the City and the vendor usually enter into a contract. Any terms and conditions not covered by the standard PO are to be included in the contract.

<t>The following sidebars provide checklists on:

<tb1>contract types, with terms and conditions that should be included

<tb2>preparation of contracts.

<sha>Contract Types

<shc>Construction

<st1>Statement of intent

<st1>Specifications

<st1>Drawings and schedules

<st1>City's responsibilities

<st1>Insurance

<st1>Terms

<st1>Warranty

<st1>Responsibility

<st1>Assignment

<st1>Permits

<st1>Inspections

<st1>Subcontractors

<st1>Contractor insurance

<st1>Contract period

<st1>Termination

<st1>Substitution

<shc>Lease Agreement for Equipment

<st1>Description of equipment

<st1>Terms of lease payment

<st1>Purchase or optional renewal

<st1>Delivery, maintenance, and other special charges

<st1>Conditions or restrictions on use

<st1>Lease term

<st1>Maintenance

<shc>Maintenance Agreements

<st1>Identification and location of equipment to be serviced

<st1>Period and frequency of service

<st1>Movement or modification of equipment

<st1>Responsibility of supplier

<st1>Service charges

<st1>Vendor's response time

<st1>Termination

<shc>Professional Services

<st1>Identification of parties

<st1>Services to be rendered

<st1>Terms

<st1>Patent indemnification

<st1>Proprietary information

<st1>Consultant's representation

<st1>Period of agreement

<st1>Records

<st1>Termination

<st1>Contract period

<st1>Conflict of interest

<st1>Insurance

<sha>Contract Preparation

<shc>The Necessity for a Contract

<stn1>Is it necessary to have a contract?

<st>Does it lower our costs?

<st>Does it assure us of delivery in case of shortages?

<st>With whom is the contract?

<st>What are the disadvantages of not having a contract?

<stn>Have bids been let, or are negotiations completed?

<stn>Are the essential elements of the contract settled?

<stn>Is there a chance of vagueness or ambiguity in contract terms or language?

<stn2>Are the contracting parties, their agents, or representatives competent and authorized to bind the company?

<hc>Description of Commodities and Services

<stn1>Are the commodities or services clearly described in writing in the purchase description, blueprints, specifications, PO, or other documents?

<stn>Are the specifications complete?

<stn>Is the quantity clearly defined?

<stn>Will the supplier furnish drawings? If so, are such drawings subject to the City's approval?

<stn>Will the supplier install equipment?

<stn2>What services will the supplier furnish, such as training, instruction manuals, parts manuals, service guarantees, etc.?

<hc>Price and Payment Terms

<stn1>What is the initial purchase price?

<stn>Is the price definite? If not, is the method for ascertaining the price clear?

<stn>Is the price subject to adjustment?

<st>Does the price adjustment work both ways?

<st>Is adjustment limited to change in price?

<st>Is the date of price basis stated?

<st>What is the length of time for advance notification of price adjustment?

<st>Is there an escape clause on price increases?

<stn2>Is the payment schedule satisfactory?

<hc>Packaging, Delivery, and Insurance Factors

<stn1>Is the delivery schedule satisfactory?

<stn>Are the "times for delivery" terms definite and reasonable?

<stn>Is the mode of delivery satisfactory?

<stn>Is the packaging satisfactory?

<stn2>Who bears the risk of loss if damage to an item occurs before delivery to the City?

<hc>Time and Termination Factors

<stn1>What period of time does the contract cover?

<stn2>Are the provisions for termination by either party clearly stated?

<hc>Performance and Quality Guarantees

<stn1>Is there a liquidated damages clause?

<stn>Is there a performance guarantee?

<stn>Is the City protected against negligence of the supplier's employees?

<stn>Is the supplier's insurance protection adequate?

<stn>Does the supplier guarantee performance and quality?

<stn>Is there an express written warranty by the supplier that the commodities will conform to the description, promise, model, or sample?

<stn2>Are there any provisions for cancellations or cure if the commodities do not meet the specifications?

<hc>Legal Requirements

<st1>Does the contract meet all legal requirements?

<hb>Step-by-Step Procedures

<t1>This section presents procedures that govern POs.

<hc>Procedures for Issuing a PO

<t1>City policy on POs is as follows:

<tb1>A PO is required for the purchase of all City commodities and services. With the issuance of a PO, monies are encumbered to pay for these items.

<tb2>Purchasing, in cooperation with the using department, will identify the need for a Blanket PO after examining the past usage of a supply or service. Blanket POs will be issued to vendors from whom many repetitive purchases are made, such as office supplies, automotive repair parts, etc. A blanket PO is a contractual agreement with a vendor to allow departments to buy directly from the vendor by referencing the blanket PO number.

<t>Perform the following tasks when issuing a PO.

<tn1>**Task 1.** When the vendor and price have been identified, issue the PO.

<tn>**Task 2.** Ensure the following information appears on the PO form:

<tb1>**PO Number**

<tb>**Deliver To -** Specific location where shipment is to be delivered

<tb>**Vendor -** Name and mailing address of vendor

<tb>**Account Code -** Account code to which the supply or service is to be charged

<tb>**Date -** Date the PO is issued

<tb>**Terms -** Specific payment terms

<tb>**Delivery Due -** Date commodities are to be delivered

<tb>**Requisition Number -** Purchase Requisition number

<tb>**Description -** Specific description of item(s), including class-item code, size, style, model number, etc.

<tb>**Quantity -** Specific quantities and units to be delivered

<tb>**Unit Price -** Unit price quoted by vendor

<tb>**Total -** Total amount

<tb>**Purchasing -** Signature of Purchasing

<tb>**Mayor/Deputy -** Signature of the Mayor/Deputy Mayor

<tb>**Ordered By -** Department and individual ordering

<tb2>**Ship Via -** Method of delivery.

<tn2>**Task 3.** Distribute the PO form to the vendor, using department, Purchasing, and Chief Accountant.

<hc>Procedures for Preparing a Contract

<tn1>**Task 1.** If a contract is required, assist the using department in preparing the draft contract or review draft contract documents prepared by the vendor or the using department.

<tn>**Task 2.** Analyze the contract intent, scope of work, specifications, drawings, warranties, insurance requirements, etc.

<tn>**Task 3.** Submit the draft contract to the using department for review and approval.

<tn>**Task 4.** Upon approval by the using department, forward three unsigned copies of the contract to the vendor for review and signature.

<tn2>**Task 5.** Circulate the contract to the Mayor/Vice Mayor, head of the using department, and Chief Accountant.

<ha>Contract Management

<st1>Upon the issuance of a PO or contract, Purchasing and using departments have the responsibility to monitor vendor performance and review carefully the receipt documents submitted to the City. This section presents policies and mechanisms for contract management.

<st>City policy regarding receipt of goods and services is as follows:

<tb1>The City shall obtain the needed supply or service on time.

<tb>The contractor shall receive proper compensation for the commodities or services provided.

<tb>All contractual obligations shall be performed and vendor performance shall be monitored on an ongoing basis.

<tb>Where appropriate, the using department shall notify Purchasing that vendor performance is unacceptable.

<tb>The purchase shall be made after the proper approvals.

<tb>Invoices shall be for commodities or services actually received.

<tb>The quantities shall agree with the receiving report.

<tb>The unit prices shall be those indicated on the PO.

<tb>The total price shall not exceed the amount approved; if it does, a PO amendment shall be prepared and approved.

<tb>The proper purchasing procedures shall be used.

<tb>For routine cases of non-compliance, such as late delivery, the using department shall contact the supplier to arrange for correction of the deficiencies. If the situation is not corrected promptly, then it shall be reported to Purchasing promptly by phone and confirmed on a vendor complaint report.

<tb2>Where major purchases of commodities or services are involved, the situation shall be reported immediately to Purchasing, who shall then initiate action with the supplier.

<t>Complete the following tasks.

<tn1>**Task 1.** The vendor shall present an invoice for payment to the Chief Accountant.

<tn>**Task 2.** The using department, upon receipt of the supply or upon completion of the service rendered, must verify that the quantities ordered were received, inspected, and found in satisfactory condition. If the vendor fails to perform in accordance with the specifications, terms, and conditions of a PO or contract, Purchasing must take prompt remedial action to resolve problems.

<tn>**Task 3.** Purchasing matches the using department's verification to the PO.

<tn>**Task 4.** If the data do not match, Purchasing investigates the difference and, if appropriate, makes the corrections.

<tn>**Task 5.** If the PO and using department's verification match, forward the using department's verification to the Chief Accountant.

<tn2>**Task 6.** In the event of a partial shipment that is acceptable to the using department, an invoice for partial shipment may be submitted for payment.